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# FEDERAL ENERGY REGULATORY COMMISSION

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WASHINGTON, D.C. 20426

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## NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

May 26, 1999  
Docket No. SC97-2-000,  
et al.

**COMMISSION SETS EL PASO'S STRANDED COSTS AT \$52.9 MILLION**

For the first time in a non-settlement case, the Federal Energy Regulatory Commission addressed stranded costs for a retail-turned-wholesale electric customer. The Commission set the stranded cost obligation for Las Cruces, New Mexico at \$52.9 million. This is the amount the municipality must pay its former electric power supplier, El Paso Electric Company, if it uses El Paso's system to obtain power from another supplier. This amount is based on a July 1, 1999 departure date.

The Commission's 1996 Open Access Rule, Order No. 888, provides the opportunity for the recovery of stranded costs-- costs that were prudently incurred to a serve power customer that may go unrecovered if the customer uses open access transmission on its former supplier's system to obtain power from another power supplier.

The Commission's stranded cost procedures are based on the utility's reasonable expectation that the utility would continue to serve its customer when it incurred costs or market investments to provide service. Those investments were made when there was no wholesale competition. Order No. 888 also established procedures by which a departing retail customer could obtain an estimate of its stranded cost obligation from the serving utility.

Today's order indicated that the Commission's determinations were heavily dependent on the facts of this particular case and

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(more)

may not have generic application in future retail-turned-wholesale cases.

"The electric power industry is evolving from a regulated to a competitive industry and, as it does so, I am pleased that this Commission can facilitate the transition from one set of economic arrangements and business assumptions to another. Here, a customer is exercising choice for its benefit and its traditional supplier is being equitably compensated," said Commission Chairman James J. Hoecker. "The Commission's stranded cost approach is designed to promote competition while minimizing economic dislocation and inequities. These are difficult cases."

In an initial decision handed down last year, a FERC administrative law judge set Las Cruces' stranded cost obligation at approximately \$30 million, based on a July 1, 1998, departure date. Las Cruces had said it owed nothing, or close to it. El Paso had forecast stranded costs as high as \$101 million.

Since 1987, Las Cruces has moved to establish a municipal electric utility to serve its residents, currently retail customers of El Paso Electric. As part of its efforts, Las Cruces has moved to condemn El Paso's electric distribution system in Las Cruces, purchase wholesale electricity from Southwestern Public Service Company and obtain firm transmission service from El Paso.

In related orders, the Commission stood by a previous decision directing El Paso to provide transmission service to Las Cruces (EL99-10-001) and accepted El Paso's rate to sell power to Las Cruces (EL99-10-002). It set certain cost-of-service issues for hearing. Today's orders stem from a January decision in which the Commission directed El Paso to sell cost-based wholesale power to Las Cruces, effective July 1, 1999.

In a separate order, the Commission ruled that El Paso has sufficient transmission capacity to accommodate Southwestern Public Service Company's request for transmission service. Southwestern requested firm transmission service from El Paso to provide power to Las Cruces (OA96-200-000, et al.)